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C O N F I D E N T I A L SECTION 01 OF 02 ASHGABAT 000778

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TAGS: [PREL](#) [PGOV](#) [EPET](#) [EU](#) [HU](#) [TX](#)
SUBJECT: TURKMENISTAN: HUNGARY'S NABUCCO AMBASSADOR MAKES
FIRST VISIT TO ASHGABAT

REF: ASHGABAT 0771

Classified By: CDA RICHARD E. HOAGLAND: 1.4(B), (D)

¶1. (C) SUMMARY: Hungary's new Ambassador-at-Large for the Nabucco Pipeline Project, Mihaly Bayer, told the Charge June 18 that, though Nabucco has "full European Union (EU) backing," less-than-united support from individual capitals and a multiplicity of interests at play in Brussels are slowing progress on the pipeline. Suggesting that EU members will fall in line if the EU is able to get its own house in order, Bayer is promoting an inter-governmental conference that would then lead to an inter-agreement as the next steps. In the meantime, recognizing the importance of creating a bridge to possible supplier countries, Bayer met with hydrocarbon officials in Turkmenistan, who he found friendly, open -- and lacking capacity. To help Hungary improve its contacts with Ashgabat, he has taken the additional step of proposing a July 8-9 visit by Hungary's Prime Minister Gyursany, but does not yet have a green light from the Turkmen for the visit. While Bayer also suggested that South Stream poses no immediate threat to Nabucco, he did say that his country would have to support Sout Stream, as well as Nabucco, if the Russian-proposed pipeline is indeed more than bluster. END SUMMARY.

¶2. (C) During a June 18 meeting, Bayer told the Charge that his position had been created in order to promote coordination of the effort to move forward with the Nabucco pipeline. Since beginning in his new position on April 1, Bayer has visited all Nabucco countries except Bulgaria, and has been to Brussels multiple times. Despite the importance of his title, however, Bayer resisted any suggestion by the Charge that he was adding "leadership" to the Nabucco effort, insisting that he could function most effectively by working below the radar.

THE NEXT STEP: INTER-GOVERNMENTAL CONFERENCE AND AGREEMENT

13. (C) Bayer told the Charge Nabucco has full European Commission (EC) support, but that not all European capitals are behind the project as strongly as the EC itself. And even within the EC, the multiplicity of departments and interests at play in Brussels -- the lumbering and compartmentalized bureaucracy -- tends to create a less-than-unified voice. Bayer believes that the next step to moving the Nabucco project forward is to convene an inter-governmental conference and reach an inter-governmental agreement -- and to do so as soon as possible. Once the inter-governmental agreement is signed and the EC has its house in order, EU members, who are bound to obey EC directives, will fall in line. This in turn will allow companies to begin moving forward. Only then, Bayer suggested, will the focus be on countries supplying the gas.

10 BCM "PROMISE" ONLY A GREEN LIGHT FOR HARD WORK

14. (C) Bayer visited Turkmenistan to begin discussions on Turkmenistan's becoming a source country for the Nabucco pipeline. He noted that President Berdimuhamedov's April 9 promise to European Commissioner for External Relations and European Neighborhood Policy Benita Ferraro-Waldner to provide 10 billion cubic meters of gas (reftel) had been somewhat less than the full-fledged commitment that had been trumpeted. Instead, it had been a green light to do some hard work; really, the president had only said that, in theory, he would make some gas available to Europe. To begin the work, he had met earlier on June 18 with Deputy Prime Minister for Oil and Gas Tachberdi Tagiyev and Minister of

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Oil and Gas Baymurad Hojamammedov. and was planning to meet that afternoon with Deputy Prime Minister/Foreign Minister Rashid Meredov and, possibly, with Executive Director of the State Agency for Management and Use of Hydrocarbon Resources Bayrammurad Muradov.

HUNGARIAN PRIME MINISTER PROPOSES JULY 8-9 VISIT

15. (C) In general, Bayer had found his interlocutors open, increasingly confident, prepared to consider the EU as a potential long-term partner -- and counting on much higher prices and a major new influx of money for its natural gas. But, he also said, he had also found his interlocutors surprisingly "weak," lacking both depth in personnel and bureaucratic capacity. When the Charge urged him to visit frequently, Bayer said that Hungary's attention on Turkmenistan is increasing, and his country is trying to improve its contacts. To that end, Bayer had proposed a visit by Hungary's Prime Minister Gyurcsany on July 8-9.

SOUTH STREAM POSES NO IMMEDIATE THREAT TO NABUCCO

16. (C) Remarking that none of the new pipelines currently under discussion, such as Nabucco or South Stream, are certain to move forward, Bayer told the Charge he does not believe that South Stream poses an immediate life-and-death threat to Nabucco. Bayer pointed out that Russia does not always follow through on measures that it says it will implement, and that Russia engages in a degree of manipulative propaganda. Even if Nabucco is not moving forward quickly, planning for the project is relatively advanced: a Nabucco consortium has been established, the exemption process has begun, an engineering company -- Penspen -- has been chosen, and the International Financial Corporation has agreed to move forward with a financial study. By comparison, he said, no funding sources for South Stream has been revealed, there is no South Stream company (other than Gazprom), not all countries supposedly involved in the pipeline have signed agreements, no feasibility study has been carried out, and there is not yet even a fixed route.

17. (C) Noting that European governments have realized since the Russia/Ukraine dispute over gas in early 2006 that they

cannot rely on only one pipeline, Bayer said that his country will have to support South Stream if it moves forward because it would enhance Hungary's energy security. However, he added, he personally believes that there is much bluffing and propaganda involved in Russia's proposal for South Stream.

18. (C) COMMENT: Although new to Central Asia, Bayer -- who last served as Hungary's ambassador to Moldova -- struck us as a pragmatic, experienced diplomat with a decent initial understanding of the issues that will determine whether Nabucco becomes a reality. That Hungary has appointed created such a diplomatic position is positive, and that Bayer is already visiting Turkmenistan is even better. Even if the EU and Bayer are able to untangle the mid- and downstream details, bringing Turkmenistan on board as a supplier may prove a greater challenge yet, given the steps that must still be accomplished, including with Azerbaijan, to make transiting Turkmen gas across the Caspian a reality. END COMMENT.
HOAGLAND